

## Message Text

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ACTION EB-07

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CIAE-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

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FM AMEMBASSY COTONOU

TO SECSTATE WASHDC 7422

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TAGS: EFIN, EINV, EIND, DM

SUBJ: FOREIGN INVESTMENT CLIMATE IN DAHOMEY

REF STATE 165596

1. PER INSTRUCTIONS CONTAINED IN REF, POST SUBMITS FOLLOWING NARRATIVE AND STATISTICS ON FOREIGN INVESTMENT IN DAHOMEY.

2. BEGIN NARRATIVE:

THE CLIMATE FOR FOREIGN INVESTMENT IN DAHOMEY IS NOT ENCOURAGING AT THE PRESENT TIME. IN GENERAL, INVESTMENT POSSIBILITIES ARE LIMITED BY DAHOMEY'S LACK OF MINERAL RESOURCES, RELATIVELY UNDERDEVELOPED ECONOMIC INFRASTRUCTURE, AND SMALL MARKET POTENTIAL. THE GOVT'S ADOPTION OF MARXIST-LENINIST-ORIENTED SOCIALISM ON NOV 30, 1974, AND SUBSEQUENT NATIONALIZATION OF CERTAIN SECTORS OF THE ECONOMY, HAS ALSO SERVED TO MAKE FOREIGN INVESTORS CAUTIOUS IN THEIR APPRAISAL OF NEW VENTURES IN DAHOMEY. SINCE THE ADOPTION OF SOCIALISM, THE GOVT HAS NATIONALIZED ALL BANKS, INSURANCE COMPANIES, PETROLEUM DISTRIBUTION COMPANIES, AND THE BEER AND SOFT DRINK FACTORY; IN ADDITION, THE GOVT HAS INSTITUTED STATE MONOPOLIES FOR IMPORTS OF PHARMACEUTICALS, ALCOHOLIC BEV-

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ERAGES, TOBACCO, CIGARETTES, FOR THE EXPORTS OF CEMENT, AND

FOR ALL FREIGHT FORWARDING. THE GOVT HAS GIVEN PUBLIC ASSURANCES THAT ALL PRIVATE INTERESTS AFFECTED BY THESE TAKEOVER MEASURES WILL BE FULLY COMPENSATED. HOWEVER, THUS FAR, THE GOVT HAS IN ONLY TWO INSTANCES REWCHEFAN ACIEEMENT ON INDEMNIFICATION WITH THE COMPANIES AFFECTED BY THE TAKEOVERS.

DESPITE ITS ESPOUSAL OF SOCIALISM, THE DAHOMEAN GOVT HAS STATED THAT IT IS STILL VERY MUCH INTERESTED IN WELCOMING FOREIGN INVESTMENT IN A NUMBER OF SECTORS, ESPECIALLY AGRICULTURE (CHIEFLY COTTON, PALM AND FOOD CROPS), TEXTILES AND TOURISM. ALL INVESTORS ARE ELIGIBLE FOR LIBERAL TAX EXEMPTIONS GRANTED UNDER THE 1972 INVESTMENT CODE; FOR THOSE INVESTING OVER \$2 MILLION, A SPECIAL CONVENTION MUST BE SIGNED WITH THE GOVT WHICH DETERMINES THE DURATION AND TYPES OF BENEFITS ACCORDED THE INVESTOR. IN ADDITION, AN INVESTMENT GUARANTIES TREATY BETWEEN THE US AND DAHOMEY HAS BEEN IN EFFECT SINCE 13 MARCH 1965, AND OPIC INSURANCE IS AVAILABLE. IN ALMOST ALL CASES, NEW INVESTORS ARE ASKED TO FORM A JOINT VENTURE WITH THE DAHOMEAN GOVT,WHO THEN ACQUIRES A MUTAULLY AGREED UPON PERCENTAGE OF THE SHARES OF THE FIRM THUS CREATED.

TRADITIONALLY, DAHOMEY HAS CONDUCTED MOST OF ITS TRADE WITH AND HAS RECEIVED MOST FOREIGN INVESTMENT FROM FRANCE AND OTHER EEC COUNTRIES. HOWEVER, THE GOVT HAS OFTEN STATED THAT IT WISHES TO DIVERSIFY ITS SOURCES OF SUPPLY SO AS TO ESTABLISH ECONOMIC INDEPENDENCE FROM EUROPEAN SUPPLIERS. EUROPEAN GOODS STILL RECEIVE SPECIAL CUSTOMS TREATMENT UNDER THE REVERSE PREFERENCES ARRANGEMENT WITH THE EEC. THOUGH THE LOME CONVENTION PERMITS ABOLITION OF REVERSE PREFERENCES, DAHOMEY SHOWS NO SIGNS OF DOING SO IN THE NEAR FUTURE.

DAHOMEY IS PLANNING TWO MAJOR INDUSTRIAL PROJECTS IN CONJUNCTION WITH NIGERIA--A SUGAR PLANTATION AND REFINERY AND A CEMENT FACTORY. THESE PROJECTS ARE DESIGNED TO SERVE BOTH THE DAHOMEAN AND NIGERIAN MARKETS. THEY ARE THE LARGEST INVESTMENT SCHEMES NOW BEING PLANNED FOR DAHOMEY. NO CONTRACTS HAVE YET BEEN SIGNED, BUT INDICATIONS ARE THAT THE CEMENT FACTOR CONSTRUCTION CONTRACT WILL SOON BE AWARDED TO A EUROPEAN FIRM. ONE OTHER AREA FOR POTENTIAL INVESTMENT IN THE NEAR FUTURE IS THE SMALL OIL FIELD LOCATED OFF THE DAHOMEY COAST. NO UNCLASSIFIED

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DRILLING PERMIT HAS YET BEEN GIVEN FOR THE MAJOR PORTION OF THE FIELD, BUT SHELL HOLDS THE RIGHTS TO A SMALL PART OF IT, AND HAS BEEN CONDUCTING TESTS ON ITS FIELD.

POTENTIAL INVESTORS SHOULD IDEALLY BE FAMILIAR WITH FRENCH AND BE PREPARED TO DEAL WITH OFTEN LENGTHY BUREAUCRATIC DELAYS ON THE PART OF THE DAHOMEAN GOVT. DAHOMEY HAS A WIDE POOL OF UNSKILLED AND SEMI-SKILLED MANPOWER; LOCAL LAWS PROHIBIT

THE EMPLOYMENT OF AN EXPATRIATE IN A JOB THAT CAN BE FILLED BY  
A DAHOMEAN. END NARRATIVE

3. STATISTICS ON FOREIGN INVESTMENT IN DAHOMEY:

US DIRECT INVESTMENT (BOOK VALUE) AT THE END OF 1974: ZERO

DIRECT INVESTMENT BY ALL COUNTRIES (BOOK VALUE) AT END OF  
1974: NOT AVAILABLE

DIRECT INVESTMENT IN US BY DAHOMEANS (BOOK VALUE) AT END OF  
1974: ZERO.  
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